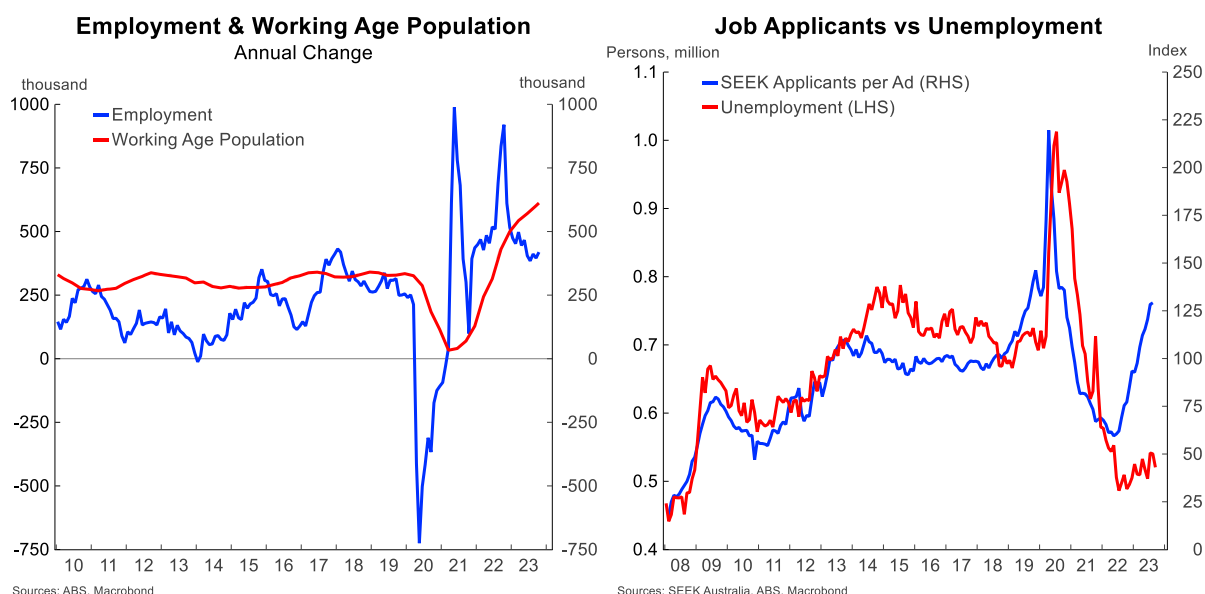


Tuesday, 28 November 2023

Labour Force Survey

Consistently Strong, But for How Long?

- Employment rose a very solid 55.0k in October. Strong labour demand is continuing to soak up rapid growth in the working age population. However, we are slowly nearing the point where the data takes a more decisive turn.
- There has been a significant shift in the composition of employment growth. Since the middle of the year full-time employment has fallen by 29.8k, while part-time employment is up 161.6k. Businesses still want workers, but they don't need them working as many hours.
- A rise in the participation rate to a record equalling 67.0% saw labour supply grow more quickly than employment in October. This pushed the number of unemployed people up by 27.9k and drove a marginal lift in the unemployment rate to 3.7% from 3.6% previously.
- Growth in hours worked continues to slow and is not keeping pace with growth in employment. In fact, since June the number of hours worked has fallen by 0.3% while employment has grown by 0.9%. This is driving a fall in the average hours worked per employed person, a sign that the labour market is beginning to soften via hours rather than headcount.
- In an early sign that firms may be becoming more selective in their hiring decisions, the youth unemployment rate jumped up sharply to 9.2% from 8.0% in September. This could also be an early indicator of some emerging fatigue in labour demand.
- The path ahead for the labour market looks more challenging than the recent past. However, the jobs market is proving much more resilient than expected. This means that the anticipated adjustment in the labour market is likely to remain gradual.



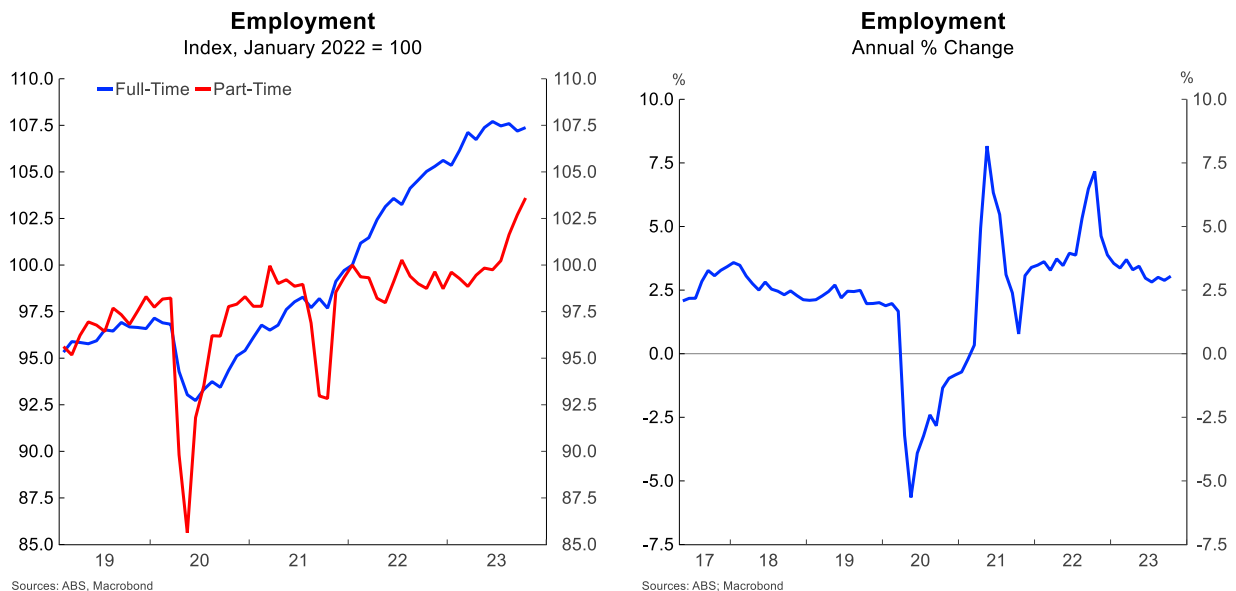
The labour market remains incredibly resilient. Robust labour demand is continuing to soak up rapid growth in the working age population. However, the changing composition and slowing pulse of employment growth suggests we are slowly nearing the point where the data takes a more decisive turn.

Employment growth

Employment rose a very solid 55.0k in October. Employment growth is not displaying the same vigour it was in the back half of 2022 and into the start of 2023, but it is still running at a very solid clip. A more resilient economy is supporting demand for labour.

However, there has been a distinct shift in the composition of employment growth over recent months. This was again the case in October. Full-time employment rose a modest 17.0k, while part-time employment jumped a massive 37.9k. This was likely supported by temporary employment linked to the voice referendum, which was reportedly resourced with around 100k temporary roles. However, the labour force survey measures people rather than jobs, meaning that if workers picked up these roles as a second job it would not be picked up in employment but instead in their hours worked.

Stepping back, full-time employment has fallen by 29.8k since the middle of the year, while part-time employment is up 161.6k over the same period. There could be a few forces underpinning this shift. A temporary policy which allowed international students to work an unlimited number of hours per week was rolled back from July 1, reducing their maximum hours to 24 per week. At the same time, the increasing appetite to take on part-time rather than full-time workers could be a further sign that labour demand is cooling from elevated levels. Businesses still want workers, but they don't need them working as many hours.



Labour supply

Growth in the working age-population continued to roar ahead at pace in October, rising 2.9% in annual terms – the fastest rate on record. Adding to the growth in the labour supply, the participation rate, which measure the share of the working age population participating in the labour market, rose to an equal record high of 67.0%. Together the growth in the working age population and increase in participation saw the labour force rise by 82.9k – the largest monthly increase in over 20 years, outside of COVID.

Unemployment Rate

While employment growth was enough to offset the increase in the working-age population, the rise in the participation rate saw labour supply grow more quickly than employment. This pushed the number of unemployed people up by 27.9k and drove a marginal lift in the unemployment rate to 3.7% from 3.6% previously. Participation can be volatile from month-to-month, which leaves the unemployment rate vulnerable to drifting back down if the current rate of employment growth continues.

Hours Worked

We are closely monitoring the number of hours worked as we expect this to account for a large part of the adjustment in the labour market as the economy continues to cool. In October, the number of hours worked rose 0.5%, unwinding monthly falls over August and September. This could have been linked to temporary roles related to the voice referendum. However, growth in hours worked continues to slow and is not keeping pace with growth in employment. Since June the number of hours worked has fallen by 0.3% while employment has grown by 0.9%. This has driven a fall in the average hours worked per employed person, a sign that the labour market is beginning to soften via hours rather than headcount.

The States

| | NSW | VIC | QLD | SA | WA | TAS | ACT | NT |
|--------------------------------------|------|-------|------|------|------|------|-----|------|
| Monthly Change in Employment (000's) | 20.1 | 34.3 | 10.6 | 2.3 | 9.4 | -4.2 | 1.9 | 1.6 |
| Annual Change in Employment (000's) | 80.9 | 164.3 | 72.1 | 32.5 | 60.3 | 0.0 | 6.2 | 1.2 |
| Unemployment Rate (%) | 3.4 | 3.8 | 4.3 | 3.6 | 3.8 | 4.0 | 3.9 | 4.0 |
| Change in Unemployment Rate (ppts) | 0.1 | 0.3 | 0.4 | -0.1 | 0.5 | -0.2 | 0.0 | -0.1 |

*Seasonally Adjusted

Other Labour Market Measures

The underemployment rate, which measure the share of employed workers who wish to work more hours, remained steady at 6.3%, around half a percentage point above the cycle trough of 5.8%. The increase in underemployment corroborates the loosening in conditions via hours of work.

The youth unemployment rate, which measures the share of unemployed workers between the age 15 and 24, jumped up sharply to 9.2% from 8.0% in September. This could be an early indicator of some emerging fatigue in labour demand and that firms are becoming more selective in their hiring decisions.

Outlook

The path ahead for the labour market looks more challenging than the recent past. However, the jobs market is proving much more resilient than expected, supported by stronger than expected demand in the economy. This means that the expected adjustment in the labour market is likely to remain gradual. However, much will depend on the underlying slowing in economic activity. If the Reserve Bank needs to hike rates more to slow the economy more sharply, the hit to the labour market could equally be larger than currently anticipated.

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